

# REPORT OF ACCOMPLISHMENTS 1995 – 1998 “PROTECTING CALIFORNIA’S CONSUMERS”

## INTERNATIONAL EFFORTS FOR HOLOCAUST SURVIVORS

CDI was instrumental in launching an international initiative to compensate Holocaust survivors on unpaid insurance claims. Helping to create and working within the International Commission on Holocaust Era Insurance Claims (ICHEIC), CDI is leading efforts to obtain settlements from European insurance companies that have denied life insurance claims to an estimated 20,000 or more Holocaust survivors and their heirs living in California.

### Holocaust Background

In the 1930’s and 40’s insurance was sold extensively throughout Europe, primarily to the middle and working class. Many people invested their money in life insurance policies and in annuities because retirement planning accounts, such as pensions, were not widely available.

As the religious and political oppression preceding World War II spread, and later, as the war and Holocaust enveloped Europe, more and more people purchased insurance products in an effort to secure their assets for when and if they survived. In fact, insurers offered, for extra premium, policies that would pay in “New York Dollars” because of the stability offered by U.S. currency and the rampant instability of the various European currencies at the time.

### 50 Years Later

Today, over 50 years after the Holocaust, a large number of survivors and heirs in California, and internationally, are making public the disgrace of insurers for not paying on legitimate claims of Holocaust victims. An estimated 50,000 to 100,000 Holocaust survivors currently live in the United States. Second only to New York, California is the resident state of the largest number of survivors, at approximately 20,000. A rough estimate of heirs and benefi-

ciaries could easily bring the total of descendents to three to four times these numbers.

Although survivors and heirs are stepping forward with insurance policies, policy numbers, cancelled checks, and other proof of insurance coverage to recover their benefits, in most cases such proof has not been sufficient for the insurance carriers to pay what is rightfully owed to them.<sup>1</sup> Insurers claim they are no longer responsible for paying these claims for a variety of reasons: *no death certificate was provided by the claimant; policyholders stopped making premium payments during the war; proceeds of policies sold to Jewish insureds were already paid to the Nazis; reparations to Holocaust survivors were made by the government restitution treaties, which covered insurance proceeds; companies located in eastern-bloc countries were taken over by communist regimes and their assets were confiscated so that no funds exist to pay claims; records no longer exist to verify the individual’s status as a policyholder beneficiary.* It is true that in some instances, research must be performed to verify the legal position of the company. The basic point, however, is that an insurance policy is an exchange of promises; the insured policyholder promises to pay a premium in exchange for the promise by the insurer to pay benefits once the insurance policy conditions are met.

CDI has taken the position that in most cases the insurers’ defense for not paying these claims is unacceptable, and transgresses even the simplest notion of ethical treatment of Holocaust survivors. The difficulties encountered by an insurance company do not negate the promises sold through insurance policies. Moreover, many of the companies were located outside Germany and had their property returned by eastern bloc countries. Hitler and the Third Reich did not issue death certificates as they massacred millions of people. Nazis seized family assets, including their insurance policies along with the rest of their possessions. Most sur-

<sup>1</sup> California Department of Insurance, *Budget Change Proposal*, 1999, p 3.

vivors were fortunate to leave Europe alive and to expect them to have kept policies, receipts, documentation, or other personal belongings while fleeing is simply unrealistic. Likewise, premium payments could not be made while policyholders were held in concentration camps.

## ***The Significance of this Effort***

This effort reflects CDI's unwavering commitment to protect the interests of residents of the State of California and ensure that the insurance companies operating in California are fulfilling their promises and contractual obligations.

Also of consideration is the world community, especially the Jewish community, who suffered the greatest loss from the appalling acts of genocide during World War II. Long overdue, these efforts to reimburse Holocaust claimants may help to restore goodwill and trust between survivors and the State of California.

## ***California's Responsibility to Restore Benefits for Holocaust Survivors***

CDI is charged with protecting the rights of the residents of California. The vision, mission, goals, and function of the CDI all promote fairness, which is the fundamental core value of CDI. This effort exemplifies the reason that CDI exists. More importantly, the California Department of Insurance upholds a moral obligation to rectify a grievous historical wrong where it has the power to do so.

California law clearly states that the Insurance Commissioner must protect the rights of California's residents as expeditiously as possible. By taking aggressive action, CDI can ensure that insurance companies are held accountable to pay legitimate benefits to all surviving victims and heirs of the Holocaust who currently reside in California.

If these policies were paid today at present value, with currency adjustments and interest, the total due could reach into the hundreds of millions or even billions of dollars. Many of the claimants have insurance policies and policy numbers. Most claimants were children during the war, and many are certain that their parents and relatives had insurance because they recall the agent coming to their home for payment. The majority of claimants have no actual knowledge of whether or not their family members were insured, but believe they did because of their social and economic status at the time or because of their parents' business holdings.

## **What Has Been Done So Far**

In November 1997 and January 1998, CDI held three public investigatory hearings in Los Angeles and San Francisco to collect information and evidence regarding unpaid insur-

ance claims owed to survivors of the Holocaust. At those hearings, the Commissioner heard disturbing testimony from survivors who were adults during the war, survivors who were children during the war, claimants born in the U.S. whose parents and grandparents perished in concentration camps and historians and insurance researchers. The purpose of the hearings was to collect testimony and information, publicize the issue for claimants who might need help collecting information to prove their claim and to hear testimony from some of the insurers involved. The hearings also served to heighten awareness of the general public on the issue.

## **The International Commission on Holocaust Era Insurance Claims**

CDI was the stimulus in establishing the International Commission on Holocaust Era Insurance Claims (ICHEIC). The ICHEIC's mission is to:

- (a) *Secure records and archives*
- (b) *Establish funding for the payment of claims*
- (c) *Set parameters and standards of proof for claims*
- (d) *Identify survivors and/or their heirs*
- (e) *Facilitate the payment of legitimate life and property claims on unpaid WWII era insurance policies.*

Through the ICHEIC, several of the largest insurers that have unpaid policies from WWII have pledged to pay claims as directed by the ICHEIC. In April 1998, these insurers signed a *Memorandum of Intent* that marked the beginning of the first real possibility of bringing closure to the insurance-related issues of this shameful period in history. In addition, these insurers have pledged to dedicate funds that will compensate survivors whose policies were paid to the Nazis, those whose policies were confiscated by communist governments after the war, or who have no actual proof of having a policy but believe that such policies were in effect. At the November 1998 meeting of the ICHEIC in London, England, the insurers pledged \$90 million as an initial payment to humanitarian funds and an additional \$5 million for an administrative expense to fund the activities of the ICHEIC.<sup>2</sup>

## **CDI's Leadership Role**

CDI is committed to carrying out the program in an effective and timely manner. The ICHEIC has agreed to complete its work within two years so that the aging survivors may be compensated during their lifetime and closure can be brought to the restitution issue for all concerned. This is a relatively short time frame to manage such a legally, fi-

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<sup>2</sup> California Department of Insurance *Budget Change Proposal*, 1999, p. 8.

nancially and emotionally complicated issue. CDI is committed to requiring insurance companies to uphold their respective obligations and bring a quick and effective resolution to this process. This multi-faceted program includes the following components:

- Notices to Insurance Companies – Insurance companies that conduct business in California to receive letters formally requesting that they inform CDI whether, they, or any of their present or former affiliated companies, issued policies in Europe prior to World War II, and whether they will participate in the International Commission for Holocaust-Era Insurance Claims.
- California Holocaust Insurance Settlement Alliance – A 28-member alliance will mount a massive outreach effort to help identify Holocaust survivors and heirs who might be entitled to insurance restitution.
- Print Ad – A comprehensive advertising program, designed to increase awareness among Holocaust survivors and heirs, will include advertisements in nearly 30 general-circulation newspapers and Jewish publications throughout the state.
- Mailings to Survivors/Heirs – Holocaust survivors and heirs statewide are to receive letters and restitution application forms.
- 888 Toll Free Number – CDI will offer a toll free number—888 CDI-INFO (888/234-4636) dedicated solely to potential Holocaust insurance claimants.
- Web Site – An update of the CDI Website ([www.insurance.ca.gov](http://www.insurance.ca.gov)) will include a claim form for survivors and heirs, history on Holocaust restitution efforts, and information on companies that have failed to pay Holocaust insurance claims.

## Settlements for Holocaust Victims

CDI has led efforts to obtain settlements from insurance companies who benefited from Holocaust victims. Various Holocaust lawsuits are taking place across the nation in both state and federal courts to recover funds for Holocaust survivors and heirs.

Several of these Holocaust lawsuits are currently taking place in the State of California. The following lawsuits were filed in California on behalf of Californian residents, claiming wrongful denial of Holocaust victims' claims:

- *Babos v. Assicurazioni Generali SpA et al.*
- *Friedman v. Assicurazioni Generali SpA et al.*
- *Sladek v. Assicurazioni Generali SpA et al.*
- *Stern v. Los Angeles Superior Court*

- *Stahl v. Victoria Holding, Assicurazioni Generali SpA et al.*

In addition, a class action suit, *Cornell v. Assicurazioni Generali, et al.*, was filed in Federal District Court in New York on behalf of Holocaust victims and their heirs and beneficiaries. The lawsuits name approximately 15 insurer defendants who are affiliates of international insurance conglomerates, many of which directly or through affiliates do substantial business in California. CDI will continue to monitor the litigation closely and assist the plaintiffs' counsel, as appropriate, to protect the interests of California residents.

CDI intends to also defend the constitutionality of the recently enacted California legislation, calling for the extension of the *Statutes of Limitations* and other provisions enacted to protect the rights of these claimants.

## Holocaust Restitution Efforts

CDI vigorously supported SB 1530 (Chapter 963/Sept. 1999)—legislation that provides \$4 million to fund outreach efforts in identifying and collecting data on Holocaust victims and their heirs. These funds are being used to develop and implement a coordinated approach to gather, review and analyze the archives of select insurance groups and other archives and records using onsite teams and an oversight committee with expertise in accounting, law, insurance archaeology, economics, and public information.<sup>3</sup> These experts in their respective disciplines will provide research and investigation into insurance policies, unpaid insurance claims, and related matters of Holocaust victims and their beneficiaries or heirs. In addition, they will analyze losses arising from the activities of the Nazi-controlled German government or its allies for insurance policies by insurers who have affiliates or subsidiaries authorized to do business in California.



<sup>3</sup> California Department of Insurance, Press Office, "Unpaid Insurance Claims of Holocaust Victims—Timeline", undated.

## HELPING URBAN COMMUNITIES

CDI has been a proven leader in identifying problems in the insurance market and developing innovative ways to solve those problems for California's consumers. For example, in the last four years, CDI implemented new methods to address the problem of availability and affordability of insurance in urban areas and encourage the active participation of the insurance industry in an innovative statewide program to promote fire safety.

### *Efforts to Spur Insurance Involvement in Urban Areas*

CDI is committed to providing greater access to insurance coverage for those communities that historically have been under-served and under-insured. The main criteria for identifying an under-served community include a high-uninsured motorist rate, high minority percentage, and low per-capita income. Promoting more involvement in communities long neglected by the insurance industry has become a staple of CDI's management direction. In this effort, CDI is calling on industry and community groups to participate in an outreach program targeted at California's under-served communities. Many people in these communities do not have adequate access to information about insurance. They've never been told why it's important, what its real costs are, and what their options are with respect to coverage and company selection.

### *The Commissioner's Report on Under-served Communities*

CDI initiated several studies on under-served communities to accurately measure the special needs and dynamics of that segment of society. The results of these studies are contained in the *Commissioner's Reports on Under-served Communities*. This has led to efforts to address the following important issues:

- In 1995, 151 zip codes were under-served.
- Approximately 6% of all private passenger auto insurance in California was sold in under-served communities.
- Only 4-5% of insurance agents or service offices are located in under-served communities – considerably lower than the approximately 16% of people who live in under-served communities.

- Only about 6% of total solicitations by mail were made to under-served communities.<sup>4</sup>

These reports represent an important step in assessing the insurance industry's participation in all California communities. In fact, a number of insurers have already initiated programs to increase their participation in under-served communities. Future reports will be a useful tool in evaluating the success of these programs.

CDI believes that it must take a proactive role in making information about insurance more available to those individuals living in under-served communities. In order to ensure these efforts receive consistent attention, CDI created the External Affairs and Policy Branch—the main purpose of which is to serve as an advocate and agent for individuals and communicates historically disconnected from the insurance industry. CDI's studies indicate that many residents of high-uninsured communities have little information about insurance. The average uninsured tends to be much more disconnected from the insurance system and typically does not engage in efforts to obtain insurance. CDI, the insurance industry, and other community-based organizations must take advantage of opportunities to fill the information void.

### *California Organized Investment Network*

In February 1996, CDI established the **California Organized Investment Network** (COIN) to facilitate insurance industry investments in California communities in need of economic development or low-income housing. Since its inception, the COIN program has worked to increase the level of insurance industry capital committed to sound investments for economic development and affordable housing benefiting California's low to moderate income urban and rural communities.

COIN was initially conceived as a three-year voluntary pilot program in place of a proposed legislative mandate requiring the insurance industry to either report annually about community development investments or to invest a percentage of premium revenues into investments benefiting low-and moderate-income communities.

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<sup>4</sup> California Department of Insurance, Statistical Analysis Bureau, 1996 Commissioner's Report on Under-served Communities.

COIN's primary purpose is to help insurers identify investment opportunities in under-served communities. These investments may include municipal bonds, commercial property acquisitions, low-income housing tax credit funds and direct investments in financial intermediaries. COIN has also devised numerous tools, such as the *Investment Policy*, *Investment Bulletin*, *Impact Capital*, and the *Product Committee* that help the insurance industry "discover" opportunities previously overlooked.

Since its beginning, COIN's remarkable success exceeded expectation – **the insurance industry has voluntarily invested over \$260 million in a variety of projects, including more than \$144 million in 1998 alone.**<sup>5</sup> COIN has been such a success that many other states, such as Missouri, New York, Louisiana, and Massachusetts, are using it as a model for their efforts to boost insurance investment in under-served communities.

Embedded in COIN's success is its ability to help community organizations understand what types of investments are made by insurers and help insurers understand that simply looking at traditional "Wall Street" investment vehicles can often ignore a whole world of safe, yet rewarding investments in California's communities. COIN has also been successful in stimulating dialogue within the insurance industry regarding innovative ways to invest in under-served communities.

*"Commissioner Quackenbush's leadership in this important area is admirable. When the final two reports are finalized, we will have a three-year profile to reference that will enable us to precisely assess how well companies have worked to increase access to insurance products to people in under-served communities over that three-year time span."*

*—Andrew Ysiano, President  
California Hispanic Chamber  
of Commerce*

Despite these early successes, CDI intends to vigorously pursue those companies that have not responded to the initial efforts. CDI must continue to focus its attention on working with companies to effectively provide access to insurance products to people in under-served communities.



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<sup>5</sup> California Department of Insurance, News Release, "Insurance Commissioner Releases First-Ever Report on Under-served Communities".

## APPENDIX

*Exhibit 27: Information Technology Achievements, 1995 - 1998*

MAJOR INFORMATION TECHNOLOGY ACHIEVEMENTS, 1995 - 1998		
Then (1995)	→	Now (1998)
<ul style="list-style-type: none"> <li>No departmental review or prioritization of IT resources.</li> <li>Not aligned with CDI priorities.</li> </ul>	→	<ul style="list-style-type: none"> <li><i>IT Policy Committee</i> prioritizes IT projects CDI-wide at Executive management level.</li> </ul>
<ul style="list-style-type: none"> <li>No method to document, analyze, estimate requests for IT services.</li> </ul>	→	<ul style="list-style-type: none"> <li><i>IT Service Request Process</i>: aligns IT resources with CDI priorities.</li> </ul>
<ul style="list-style-type: none"> <li>Network was not stable, frequently not available.</li> <li>Loss of work production.</li> </ul>	→	<ul style="list-style-type: none"> <li>Predictable and stable LAN.</li> </ul>
<ul style="list-style-type: none"> <li>No consistency in configuration and no standard equipment.</li> </ul>	→	<ul style="list-style-type: none"> <li>Standard configuration of LAN and WAN, all staff working off standard application software.</li> <li>Fewer resources are required to maintain, lower training and maintenance costs, better exchange of documents among staff.</li> </ul>
<ul style="list-style-type: none"> <li>No internet/intranet.</li> <li>High postage and mailing costs.</li> </ul>	→	<ul style="list-style-type: none"> <li>CDI internet/intranet. Higher level of customer service and satisfaction.</li> <li>Public has access to more consumer data.</li> </ul>
<ul style="list-style-type: none"> <li>No standard case tracking documentation.</li> <li>No standard timekeeping or management reporting.</li> </ul>	→	<ul style="list-style-type: none"> <li>Fraud investigator Case Management System. Implemented fraud investigator case management application with auto link to TARS.</li> <li>Implemented case tracking and timekeeping automation for Financial Analysis Division and launched CDI-wide case tracking project.</li> <li>Converted Policy Tracking from Forms 3.0 to 4.5, with additional reports.</li> </ul>
<ul style="list-style-type: none"> <li>No electronic filing capability or nationwide producer database.</li> </ul>	→	<ul style="list-style-type: none"> <li>Currently undertaking initiatives to reduce costs, align CDI with industry standard and shorten approval process</li> <li>Piloted <b>System for Electronic Rate and Form Filing</b> (SERFF) standard.</li> <li>Made processing improvements licensing system and working toward moving licensing application to IDB.</li> <li><b>PDB/PIN</b>: Industry standard electronic transaction processing</li> </ul>
<ul style="list-style-type: none"> <li>High telecommunications costs.</li> </ul>	→	<ul style="list-style-type: none"> <li>Reduced telecommunications costs by 60%. Consolidated telecommunications administrative services.</li> <li>Call tracking implemented at all sites.</li> <li>Reduced videoconference costs.</li> <li>Prop. 103: call center menu structure revised.</li> </ul>
<ul style="list-style-type: none"> <li>Manual work processes.</li> </ul>	→	<ul style="list-style-type: none"> <li>Automated budgeting and accounting processes.</li> <li>Automated Legal Division processes.</li> </ul>

Source: California Department of Insurance, Administration Division, 1999

*Exhibit 28: Administrative Systems Achievements, 1995 - 1998*

<b>Major Accomplishments, Administrative Systems, 1995-1998</b>		
<i>Then (1995)</i>	→	<i>Now (1998)</i>
<ul style="list-style-type: none"> <li>No cost accounting mechanisms to accurately capture the time and expense devoted to reimbursable activities. As a result, such activities would have to be funded from limited fee and license revenues. Also, unable to validate reimbursement rates set by the CDI.</li> </ul>	→	<ul style="list-style-type: none"> <li>Implemented a Time activity Reporting System to capture data related to reimbursable activities and to facilitate a formal rate validation process.</li> </ul>
<ul style="list-style-type: none"> <li>No standard billing system to track proper billing of CDI's services and to accurately record receipts.</li> </ul>	→	<ul style="list-style-type: none"> <li>Implementation of Oracle Financials – Accounts Receivable System and ACCESS reporting.</li> </ul>
<ul style="list-style-type: none"> <li>Duplication of time entry by program employee resulted in inaccurate program cost reporting.</li> </ul>	→	<ul style="list-style-type: none"> <li>Incorporated CSD and FAD Case Tracking System in TARS.</li> </ul>
<ul style="list-style-type: none"> <li>Highly technical CALSTARS financial reports were difficult for managers to comprehend and use effectively.</li> </ul>	→	<ul style="list-style-type: none"> <li>Electronically downloaded CALSTARS data using Monarch and reformatted to ACCESS to provide more understandable financial reports.</li> </ul>
<ul style="list-style-type: none"> <li>Inaccurate cost allocation system and misallocated expenditures to programs.</li> </ul>	→	<ul style="list-style-type: none"> <li>Revamped cost allocation system to reflect allocation based on actual costs and include regular reviews and updates.</li> </ul>

Source: California Department of Insurance, Administration Branch, 1999

**Exhibit 29: Human Resources Management Achievements, 1995 - 1998**

<b>Major Accomplishments, Human Resources, 1995-1998</b>		
<i>Then (1995)</i>	→	<i>Now (1998)</i>
<ul style="list-style-type: none"> <li>CDI provided “free” loans to employees. For example, one employee received \$10,000 in salary advances with \$100 monthly payback.</li> </ul>	→	<ul style="list-style-type: none"> <li>Enforce strict adherence to State Administrative Manual (S.A.M.) procedures regarding salary advances.</li> </ul>
<ul style="list-style-type: none"> <li>Employees routinely received and cashed paychecks early.</li> </ul>	→	<ul style="list-style-type: none"> <li>Enforce strict adherence to S.A.M. regarding release of paychecks.</li> </ul>
<ul style="list-style-type: none"> <li>Lack of security in Human Resources Management Bureau (HRMB).</li> </ul>	→	<ul style="list-style-type: none"> <li>Relocated HRMB to secure location in accordance with State Controller’s Office (SCO) requirements.</li> </ul>
<ul style="list-style-type: none"> <li>Employees were being overcompensated for working out-of-state by as much as \$200 to \$500 per month per employee.</li> </ul>	→	<ul style="list-style-type: none"> <li>Enforce strict adherence to Department of Personnel Administration (DPA) rules regarding out-of-state compensation.</li> </ul>
<ul style="list-style-type: none"> <li>Attendance rules were not uniformly or appropriately applied.</li> <li>Attendance and leave balances were not kept up to date, thus creating overpayments.</li> <li>Employee attendance summaries (Form 634) were not completed for employees.</li> <li>“Late docks” were not reported in a timely manner.</li> </ul>	→	<ul style="list-style-type: none"> <li>Established attendance recording and reporting procedures.</li> <li>Provide training to attendance monitors.</li> <li>Established procedures to ensure Form 634 were returned to HRMB on a timely basis.</li> </ul>
<ul style="list-style-type: none"> <li>CDI had staff positions misclassified, inaccurately compensating some staff for work performed.</li> </ul>	→	<ul style="list-style-type: none"> <li>Corrected the misclassifications.</li> </ul>
<ul style="list-style-type: none"> <li>Disciplinary actions were not taken.</li> </ul>	→	<ul style="list-style-type: none"> <li>Training for managers and supervisors.</li> <li>Aggressive follow-up to ensure appropriate disciplinary actions is taken.</li> </ul>
<ul style="list-style-type: none"> <li>Appointment and certification were not implemented properly.</li> </ul>	→	<ul style="list-style-type: none"> <li>Utilize State Personnel Board’s (SPB) on-line certification.</li> <li>Developed policies and procedures to ensure exams and certifications are conducted in accordance with SPB rules.</li> </ul>
<ul style="list-style-type: none"> <li>Backlogged merit awards. For example, two employees submitted merit suggestions in February 1980. The suggestions were implemented but the employees did not receive their merit awards until February 1996.</li> </ul>	→	<ul style="list-style-type: none"> <li>Eliminated backlog.</li> </ul>
<ul style="list-style-type: none"> <li>Employees were separating from CDI without proper clearance. Some owed CDI money or equipment.</li> </ul>	→	<ul style="list-style-type: none"> <li>Established separation process.</li> </ul>
<ul style="list-style-type: none"> <li>CDI was not in compliance with DPA rules requiring each department to establish Substance Testing Program for sensitive position.</li> </ul>	→	<ul style="list-style-type: none"> <li>Established Substance Testing Program.</li> </ul>
<ul style="list-style-type: none"> <li>Managers and supervisors were not familiar with State’s civil service hiring process resulting in illegal or inappropriate appointments.</li> </ul>	→	<ul style="list-style-type: none"> <li>Instituted civil service hiring policies and procedures.</li> <li>Train managers and supervisors.</li> <li>Developed handbook on Civil Service Process.</li> </ul>
<ul style="list-style-type: none"> <li>Employee performance appraisals were not done timely or properly.</li> </ul>	→	<ul style="list-style-type: none"> <li>Provide training to managers and supervisors.</li> <li>Established tracking and monitoring system to remind managers and supervisors to complete appraisals.</li> </ul>
<ul style="list-style-type: none"> <li>CDI was not in accordance with DPA rules on sick leave administration.</li> </ul>	→	<ul style="list-style-type: none"> <li>Enforce strict adherence to DPA rules.</li> <li>Issued HRMB Bulletin reminding managers and supervisors of their responsibility to properly administer sick leave usage.</li> </ul>
<ul style="list-style-type: none"> <li>Job injuries were not reported in a timely manner and managers and supervisors were not familiar with the reporting process.</li> </ul>	→	<ul style="list-style-type: none"> <li>Established written procedures and “information kit” to assist managers and supervisors.</li> <li>Provide training to managers and supervisors.</li> </ul>



**Exhibit 29: Human Resources Management Achievements, 1995 – 1998 (continued)**

<b>Major Accomplishments, Human Resources, 1995-1998</b>		
<i>Then (1995)</i>	→	<i>Now (1998)</i>
<ul style="list-style-type: none"> <li>CDI did not have established policies on discrimination and sexual harassment in compliance with EEO regulations.</li> </ul>	→	<ul style="list-style-type: none"> <li>Developed "Zero Tolerance" Statement and Policy Manual specifically addressing discrimination and sexual harassment.</li> <li>Posted policies and procedures on CDI intranet.</li> <li>Policies and procedures were emailed to every CDI employee.</li> <li>Policies and procedures are provided in the orientation packet for new employees.</li> </ul>
<ul style="list-style-type: none"> <li>CDI had no communication between EEO, labor relations, and adverse action functions of the HRMB. Cases often overlapped in terms of disability, workers' compensation, and general medical.</li> <li>Adverse actions were not always adequately analyzed.</li> </ul>	→	<ul style="list-style-type: none"> <li>Established Return to Work Council as required for each state agency.</li> <li>Council members – Classification and Compensation Manager, labor relations manager, and the EEO manager meet on monthly basis to review cases and apply regulations from their respective areas to bring resolution.</li> <li>A Return to Work Procedures Guide was developed.</li> </ul>

Source: California Department of Insurance, Administration Branch, 1999

**Exhibit 30: Accounting Office Achievements, 1995 - 1998**

<b>Major Accomplishments, Accounting Office, 1995-1998</b>		
<i>Then (1995)</i>	→	<i>Now (1998)</i>
<ul style="list-style-type: none"> <li>Incumbent accounting staff did not have the necessary background, education, CALSTARS experience, or other work experience to perform proper accounting functions.</li> <li>Inefficient and deficient accounting operation.</li> </ul>	→	<ul style="list-style-type: none"> <li>Hired qualified and professional staff with necessary background.</li> <li>Provide training.</li> <li>Centralized accounting operation.</li> </ul>
<ul style="list-style-type: none"> <li>Insufficient staffing to meet workload demands.</li> <li>Reliance on regular use of student assistants.</li> </ul>	→	<ul style="list-style-type: none"> <li>CDI received legislative approval to add nine positions to Accounting Office in FY 1999/2000.</li> </ul>
<ul style="list-style-type: none"> <li>Inadequate or ineffective communications within the accounting operations.</li> <li>Fragmented and incoherent operations.</li> </ul>	→	<ul style="list-style-type: none"> <li>Accounting management and supervisors have implemented regular communications between staff and accounting units.</li> </ul>
<ul style="list-style-type: none"> <li>Monthly reconciliation of the State Controller's records and CDI's CALSTARS reports were not done in a timely fashion.</li> <li>Inaccurate accounting reports / balances.</li> </ul>	→	<ul style="list-style-type: none"> <li>Monthly reconciliations are completed in a timely manner and are completed with accuracy and in compliance with the SAM requirements.</li> </ul>
<ul style="list-style-type: none"> <li>Revolving Fund was out of balance by \$1.2 million (account totaling \$3 million) due to unresolved items dating back 15 years.</li> <li>Revolving Fund inaccuracies placed limitations on amount available to CDI.</li> </ul>	→	<ul style="list-style-type: none"> <li>A three-year project resulted in the identification and resolution of all unresolved items in the Revolving Fund.</li> <li>All unresolved items are not reconciled on a monthly basis.</li> </ul>
<ul style="list-style-type: none"> <li>Over 200 unidentified receipts totaling \$250,000 were residing in the uncleared collections account were not processed and cleared.</li> </ul>	→	<ul style="list-style-type: none"> <li>All unresolved items in the uncleared collections account have been researched, validated, and cleared.</li> <li>Unresolved items are now reconciled on a monthly basis.</li> </ul>
<ul style="list-style-type: none"> <li>No standardized billing system to track proper billing of CDI's services.</li> <li>Lack of system to follow-up and accurately record receipts.</li> </ul>	→	<ul style="list-style-type: none"> <li>Implemented Oracle Financials Accounts Receivable System to consolidate departmental billings and provide for automated generation of follow-up letters.</li> </ul>
<ul style="list-style-type: none"> <li>Uncollectable account receivables totaling \$5.3 million and dating back to the early 1980's were not written off and cleared from CDI's records.</li> </ul>	→	<ul style="list-style-type: none"> <li>All uncollectable receivables have been written off and cleared from CDI's books.</li> <li>Account receivables are regularly monitored and cleared.</li> </ul>
<ul style="list-style-type: none"> <li>Six-week backlog in cashiering operations.</li> <li>Checks for issuance of licenses were not deposited in a timely manner.</li> <li>Cashiering functions were performed inefficiently with unreliable and antiquated cashiering system dating back to the 1960's.</li> <li>Lack of automated processing resulted in manual and redundant workloads.</li> </ul>	→	<ul style="list-style-type: none"> <li>Additional resources were added, reducing the backlog to less than two days.</li> <li>Cashiering system was redesigned, including the acquisition of a remittance processor, allowing expanded capabilities.</li> <li>Workload automated eliminating redundant activities.</li> </ul>
<ul style="list-style-type: none"> <li>CDI's invoices for products and services were not being paid timely or accurately.</li> </ul>	→	<ul style="list-style-type: none"> <li>Additional staff and proper training have resulted in more timely and accurate payment of CDI invoices.</li> </ul>
<ul style="list-style-type: none"> <li>Lack of internal control of travel advances.</li> <li>Employees permitted to accumulate travel advances without regular reimbursement.</li> </ul>	→	<ul style="list-style-type: none"> <li>Internal procedures have been implemented to ensure proper issuance of travel advances and the collection of reimbursements from employees.</li> </ul>

Source: California Department of Insurance, Administration Branch, 1999

**Exhibit 31: Budget Office Achievements, 1995 - 1998**

<b>Major Accomplishments, Budget Office, 1995-1998</b>		
<i>Then (1995)</i>	→	<i>Now (1998)</i>
<ul style="list-style-type: none"> <li>Program managers were not responsible for managing their respective budgets.</li> </ul>	→	<ul style="list-style-type: none"> <li>CDI has adopted a policy of holding program managers accountable for managing their budgets.</li> </ul>
<ul style="list-style-type: none"> <li>Managers did not receive information on their annual budget allotments or expenditures impacting their budgets.</li> </ul>	→	<ul style="list-style-type: none"> <li>Budget allotments are issued shortly after the state budget is enacted. Allotment briefings are provided to each Deputy Commissioner.</li> </ul>
<ul style="list-style-type: none"> <li>Budget reports did not match departmental appropriations.</li> </ul>	→	<ul style="list-style-type: none"> <li>Implemented monthly reconciliation of budget allotments to departmental appropriations.</li> </ul>
<ul style="list-style-type: none"> <li>Expenditure reports were not accurate due to improper coding of expenditures.</li> </ul>	→	<ul style="list-style-type: none"> <li>A new expenditure-coding manual was developed.</li> <li>Expenditure Training is provided.</li> </ul>
<ul style="list-style-type: none"> <li>Program staff did not know how to prepare budget change proposals (BCP) to justify their budget requests.</li> </ul>	→	<ul style="list-style-type: none"> <li>Budget instructions are issued each year to program staff during budget development process.</li> <li>Annual on-site training is provided.</li> </ul>
<ul style="list-style-type: none"> <li>Money received by CDI was not separately identified by source and use.</li> </ul>	→	<ul style="list-style-type: none"> <li>Revenue is tracked by source.</li> <li>Cost distribution report was developed to monitor expenditures to corresponding revenue sources.</li> </ul>
<ul style="list-style-type: none"> <li>Proposition 103 assessments and examination rates were not calculated in a timely manner.</li> </ul>	→	<ul style="list-style-type: none"> <li>Assessment and rates are calculated shortly after enactment of annual budget.</li> </ul>
<ul style="list-style-type: none"> <li>No process in place to monitor billings for examination reimbursement to ensure full recovery of costs.</li> </ul>	→	<ul style="list-style-type: none"> <li>Program managers are responsible for verifying the accuracy of billable hours in TARS.</li> <li>A monthly report comparing billable hours to those billed and those recorded in TARS is provided to program managers.</li> </ul>
<ul style="list-style-type: none"> <li>Lack of cash flow management resulted in insufficient money to fund operations or inability to fund contingencies.</li> </ul>	→	<ul style="list-style-type: none"> <li>A monthly cash flow analysis is conducted to ensure revenues are being collected to support expenditures.</li> </ul>
<ul style="list-style-type: none"> <li>Audits conducted by the Department of Finance, the State Controller's Office, and the Bureau of State Audits identified serious fiscal management deficiencies in CDI.</li> <li>CDI lacked systems, controls, or procedures to properly monitor and manage its revenues and expenditures.</li> <li>Deficiencies, combined with two related lawsuits, depleted the Insurance Fund requiring a General Fund loan of \$14 million and staff layoffs of 94 positions, including 60 in consumer protection programs.</li> </ul>	→	<ul style="list-style-type: none"> <li>CDI's financial operation was restructured to ensure coordination and control over all aspects of financial management.</li> <li>A formal budget management process was implemented to make program managers responsible for monitoring their revenue collections and expenditures.</li> <li>General Fund loan was repaid, Insurance Fund reserves were established for contingencies, and all staffing reductions have been restored, including a substantial increase in consumer protection staffing.</li> </ul>

Source: California Department of Insurance, Administration Branch, 1999

*Exhibit 32: Business Services Management Bureau Achievements, 1995 - 1998*

<b>Major Accomplishments, Business Services Management, 1995-1998</b>		
<i>Then (1995)</i>	➔	<i>Now (1998)</i>
▪ Antiquated inventory control system.	➔	▪ Implemented bar coding system.
▪ Inaccurate inventory records.	➔	▪ Conducted statewide inventory.
▪ Inadequate security of CDI offices.	➔	▪ New card key system installed.
▪ No risk analysis for department data services.	➔	▪ Filled Information Security Officer (ISO). ▪ Conducted risk analysis.
▪ Record retention schedules out of date.	➔	▪ Increased staff and updated schedules.

Source: California Department of Insurance, Administration Branch, 1999